



October 2006

Dear Citizens of Redmond and Members of the City Council:

For fifteen years I have been honored to serve as Redmond's Mayor. This FY 07-08 budget marks the last budget I will prepare for this great City, and covers the next two year period that will see a transition to new leadership in 2008 with the next Mayoral election. In keeping with our commitment to continuous improvement, the document is markedly different than the budgets that have gone before. The new revised format is an effort to better tell the City's story – its history and the challenges we face today. It also presents a roadmap for the future that builds on the strong foundation I have worked hard to set during my tenure as Mayor.

As many of you know from our May levy election, Redmond has faced significant financial challenges in recent years. Revenues to the City of Redmond have not kept pace with population and especially employment growth, rising inflation and the increasing service demands since 2000. At almost 50,000 people, Redmond's residential population today is 19% greater than it was in 1995. At 82,000 employees, our employment today is 72% greater than it was for the same period. These increases drive up demand for all City services and for the costly infrastructure improvements that are required, especially to support this level of commercial growth.

Every two years since 1996, the City has conducted a survey asking residents about their satisfaction with basic City-provided services. Consistently, residents have been quite satisfied with their quality of life (86% in 2006) and want the current levels of service to continue. To date, the City has been largely able to maintain acceptable levels of service despite the fact that revenues have not kept up with inflation and growth. It has done so by containing costs in ways that had the least immediate and noticeable impact to residents, even though they were not sustainable over the long term.

For six years now, the City has contained costs by cutting expenditures, reducing programs and services, cutting staff positions, shifting a portion of health benefit premiums to employees, scaling back overtime and changing what and how services are delivered – but today it has reached a point where any further cuts will have a noticeable impact. We have spent much of the last two years discussing these issues with the Council in our long-term financial strategy sessions, culminating with the May levy election. With the failure of the levy, our challenges remain and will continue to grow over time, exacerbated by continued development in our community, recent sharp rises in inflation and increasing service demands.

It is within this context that I developed my FY 07-08 budget proposal.

First and foremost, my proposal aims to further the vision shared by our community and articulated in our Comprehensive Plan, and to balance that vision and the needs of our growing City with our fiscal reality. In doing so, my efforts were guided by (1) the biennial citizen survey, a statistically valid sampling of our residents' priorities and needs, and (2) the budget policy document approved by the City Council in July 2006, which refines the six-year long range financial strategy work completed earlier. In developing my proposal, these two factors were significant influences on my strategic approach, intended to provide a balanced and constructive solution to meeting the City's critical and immediate needs, while also putting forward a supplemental package to address the future needs of our community.



*Strategic Approach for FY 07-08: Today and in the Future*

Within the base general fund budget for the next two years, my proposal seeks to address critical and immediate needs in General Fund services. It proposes a balance between operations and the capital improvement program, consistent with what we heard from our citizens about prioritizing city services over capital with our limited General Fund dollars. This approach was driven by the pressing need to (1) close an existing gap of \$2.8 million without reliance on one-time funds, as was the case with the FY 05-06 budget decided by the Council, (2) commit public safety resources to keep fire stations open and to support police operations, and (3) mitigate city risk exposures, comply with mandates and ensure business continuity.

This budget also proposes to use bond financing to move downtown forward sooner than existing revenues would allow. Issuance of bonds is proposed for Bear Creek Parkway, and water/sewer and stormwater infrastructure improvements. Rate increases will be required in the utilities to maintain operations and support this debt.

For the future, my proposal outlines a roadmap for other actions the City may take to advance its vision. Specifically, the budget includes supplemental packages to (1) provide additional support for public safety and parks maintenance over and above the aforementioned base budget levels, (2) fast track the Microsoft development in Overlake. Microsoft is expected to pay the full cost of this effort, (3) support a parks bond measure for property acquisition and development, and (4) recognize and allocate the higher impact fees approved by Council in late August for Transportation, Fire and Parks. This decision came too late for inclusion in my base budget proposal.

Based on my fifteen years of experience as your Mayor, my proposal reflects a budget that serves our most pressing community needs while also looking to the future, as responsible leaders must do. I gave thoughtful consideration and weight to what our citizens told us in the survey, and to the Council's budget policy work as well, as summarized in the proposal at-a-glance summary that follows this letter. Where there was differing guidance on issues that are important to the Council, I listened first to the voices of the community, as I have always tried to do throughout the years of my administration.

Lastly and perhaps most importantly, my proposed budget honors the spirit of our vision of "Together, We Create a Community of Good Neighbors" – a philosophy and approach to government that has been a hallmark of my tenure as your Mayor. I am proud of the work we have accomplished together – to provide excellent value to taxpayers, to establish best practices that have been nationally recognized to improve our City's quality of life, and to advance the interests of this wonderful community we are proud to call home. It has been an honor and a privilege to serve as Mayor, and I thank you for the opportunity. As we move forward through this most important budget process, I encourage your comments, questions and suggestions about these issues and the services we provide. You can contact me by telephone at (425) 556-2101, fax (425) 556-2110 or email at [mayor@redmond.gov](mailto:mayor@redmond.gov).

Sincerely,

A handwritten signature in dark ink, reading "Rosemarie M. Ives". The signature is fluid and cursive, with the first name being the most prominent.

Rosemarie M. Ives  
Mayor



**Proposed FY 07-08 Budget  
At-A-Glance Summary  
Major Policy Elements and Consistency with Citizen Priorities/Council Policy**

Major Policy Element of Proposal	Consistent with Citizen Survey Results August 2006	Consistent with Council Policy 2005-2006
<b>Base Budget for FY 07-08: Today's Critical and Immediate Needs</b>		
<p><b>Strategy #1:</b> Address crucial needs in public safety while mitigating risks and ensuring continuity of city services</p> <ul style="list-style-type: none"> <li>• Closes financial gap</li> <li>• Keeps fire stations open</li> <li>• Maintains Police operations</li> <li>• Funds critical asset replacement</li> <li>• Funds affordable housing</li> <li>• Mitigates risks, complies with mandates and ensures business continuity</li> </ul>	<ul style="list-style-type: none"> <li>• Despite levy failure, citizens' support for high quality services (66%) and desire to protect basic services (55%)</li> </ul>	<ul style="list-style-type: none"> <li>• Advances Council priorities to keep fire stations open, support police programs (July 2006)</li> <li>• Funds other needs consistent with Resolution 1223 (March 2006)</li> </ul>
<p><b>Strategy #2:</b> Strike a balance between operations and capital and averts a major crisis in operations with no significant impact on capital program</p> <ul style="list-style-type: none"> <li>• All critical capital projects funded</li> <li>• Net new money added to CIP excluding the 5% General Fund transfer is \$74.3 million including newly approved impact fees</li> <li>• CIP still has \$27.1 million unallocated at the end of 2012, including \$12.9 million in additional impact fees approved by Council in August</li> <li>• Excluding the 5% transfer, general funding devoted to CIP is \$33.2 million over the next six years</li> <li>• Total 6-year CIP is \$185.2 million</li> </ul>	<ul style="list-style-type: none"> <li>• Citizens' top preference to use bonds and levies for capital projects (46%) and divert taxes now used for capital projects to maintain City services (32%)</li> </ul>	
<p><b>Strategy #3:</b> Increase utility rates to maintain operations, move downtown forward, and size capital improvement program to meet vital needs</p> <ul style="list-style-type: none"> <li>• Water: 12% increase in 2007; 6% increase in 2008</li> <li>• Sewer: 19% increase in 2007; 6% increase in 2008</li> <li>• Metro: 9.2% increase in 2007</li> <li>• Stormwater: 44% increase in 2007 from \$11.50/month to \$16.56/month</li> <li>• Total impact on average in 2007-08 is \$13.49/month increase from \$65.94 to \$79.43</li> </ul>		<ul style="list-style-type: none"> <li>• Identifies funding needs for utility services, consistent with "utility services and rates will be discussed before adoption of the 07-08 budget" (July 2006)</li> </ul>
<p><b>Strategy #4:</b> Use bonds to finance major capital projects sooner than existing revenues would allow</p> <ul style="list-style-type: none"> <li>• Proposed \$76.6 million in debt financing to move downtown forward <ul style="list-style-type: none"> <li>◦ Bear Creek parkway extension \$28 million</li> <li>◦ Stormwater downtown improvements \$40 million</li> <li>◦ Water/sewer capital improvements \$8.6 million</li> </ul> </li> <li>• Supportive of using impact fees to pay for a \$12-\$18 million bond for parks/open space.</li> </ul>		<ul style="list-style-type: none"> <li>• Furthers "sustainable and vibrant economy" by "use of capital facilities to attract growth and foster economic vitality . . . within Downtown Redmond" (July 2006)</li> </ul>

**Proposed FY 07-08 Budget  
At-A-Glance Summary  
Major Policy Elements and Consistency with Citizen Priorities/Council Policy**

Major Policy Element of Proposal	Consistent with Citizen Survey Results August 2006	Consistent with Council Policy 2005-2006
<b>Supplemental Packages (not included in budget)</b>		
<b>Package #1:</b> <ul style="list-style-type: none"> <li>\$30 business tax increase to further support Police and provide additional staffing at the Overlake Fire station</li> </ul>		<ul style="list-style-type: none"> <li>Identifies funding for service needs consistent with Resolution 1223 (March 2006)</li> </ul>
<b>Package #2:</b> <ul style="list-style-type: none"> <li>Ask voters to approve a \$.26 levy lid lift to staff NE Education Hill Fire station, complete Police staffing plan and adequately address maintenance of new park projects, rights of way coming on line, as well as maintenance associated with a citywide parks bond.</li> </ul>	<ul style="list-style-type: none"> <li>Despite levy failure, citizens' support for high quality services (66%) and desire to protect basic services (55%)</li> <li>Citizens' willingness to spend more (67% for \$10-\$40/month; 58% for \$20-\$40/month) to maintain or enhance City services</li> </ul>	
<b>Package #3:</b> <ul style="list-style-type: none"> <li>Additional resources to expedite development review of Microsoft projects over next three years</li> </ul>		<ul style="list-style-type: none"> <li>Consistent with Council policies regarding fuller cost recovery for development review (Resolutions 1214, 1221)</li> </ul>
<b>Package #4:</b> <ul style="list-style-type: none"> <li>Support Parks continuing to work with the Park Board to structure a parks bond issue for acquisition of open space, development of new parks and renovation of existing ones. Source of funding will be Parks impact fees.</li> </ul>	<ul style="list-style-type: none"> <li>Citizens' support for park bond (47% very likely/likely to support; 20% somewhat likely)</li> </ul>	<ul style="list-style-type: none"> <li>Advances a park bond measure, consistent with the revenue options outlined in the Council's long range financial strategy (Nov 2005)</li> </ul>
<b>Package #5:</b> <ul style="list-style-type: none"> <li>Impact fee increases adopted in August 2006 providing \$12.9 million more revenue for the 2007-2012 period. Supplemental budget will outline how the additional funding will be used in Transportation, Parks, and Fire.</li> </ul>		<ul style="list-style-type: none"> <li>Consistent with Council impact fee policies adopted in August 2006 (Ordinance 2297)</li> </ul>